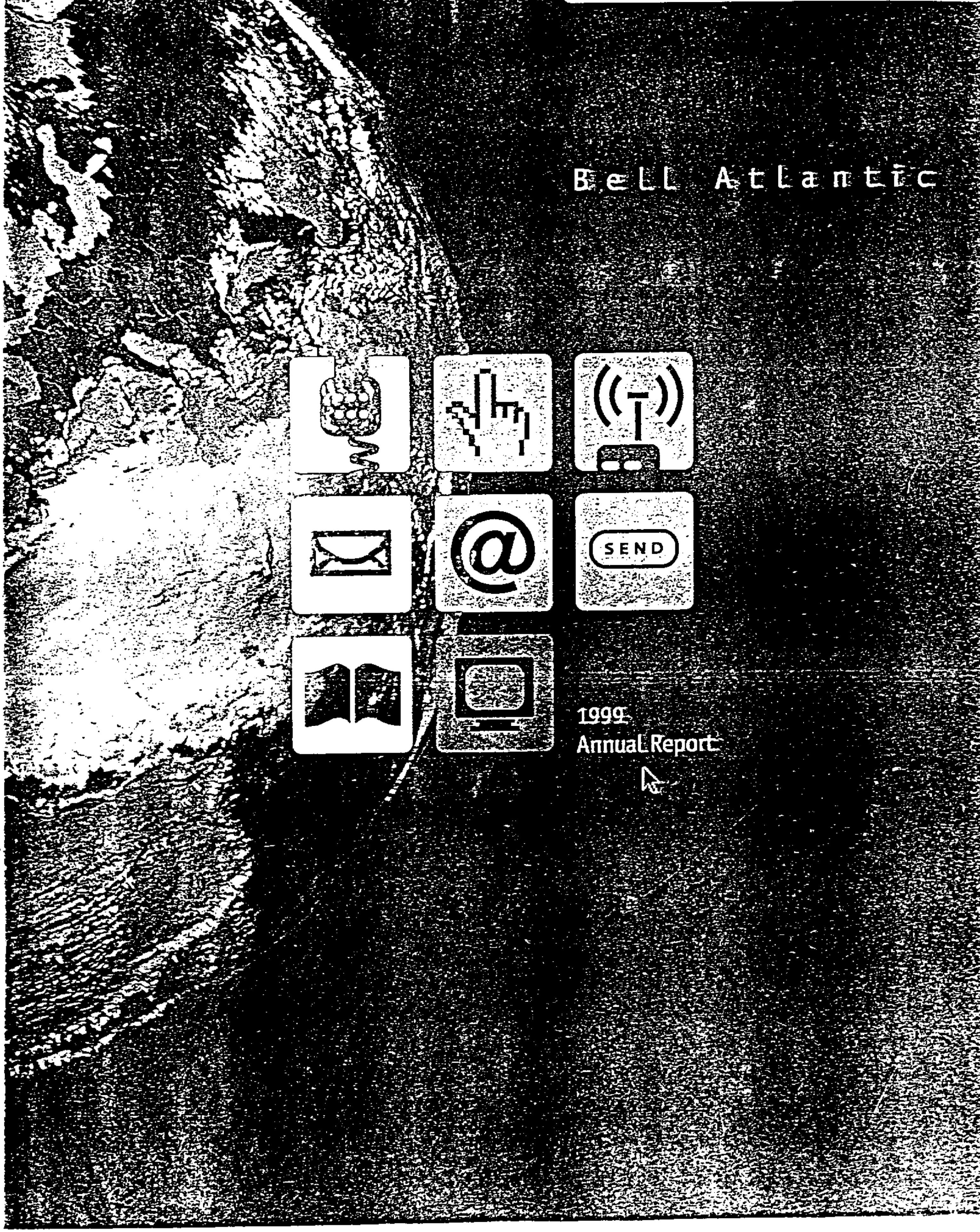
Verizon Advanced Data Inc.
Application for Certificate to Become a Telecommunications Carrier
Attachment G



www.BellAtlantic.com
Bell Atlantic is at the forefront of the new communications and information industry. With 43 million domestic telephone access lines and 12 million wireless customers worldwide, the company is a premier provider of advanced wireline voice and data services, a market leader in wireless services and the world's largest publisher of directory information. Bell Atlantic is also one of the world's largest investors in high-growth global communications markets, with operations and investments in 23 countries.

Vision Statement

To be the customer's first choice for communications and information services in every market we serve, domestic and international.

The 1999 Annual Report, printed on non-glossy, recycled paper, reflects our continuing commitment to provide concise and cost-effective reporting of financial performance to our shareowners.

Bell Atlantic Foundation
Even as we re-define ourselves as a global communications company, Bell Atlantic's roots remain firmly planted in the hundreds of diverse communities we serve.

Bell Atlantic Foundation's overriding goal is to make information technology accessible to everyone, regardless of economics, demographics or education. In pursuit of this goal, our top priority is to support non-profit organizations that use innovative technology to address societal challenges. Across our region, the Foundation funds such programs as distance learning, Internet curriculum development and training, telemedicine and on-line arts-in-education.

In addition to the Foundation's activities, our employees volunteer more than seven million hours to a wide variety of community organizations, and we have community relations managers throughout our region to ensure that local civic and non-profit groups have input to our philanthropic activities.

For more information, see our Web site, www.bellatlanticfoundation.com.

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Additional investor information, as well as contact information, is available on our website at www.BellAtlantic.com/invest.

To receive a copy of the 1999 Bell Atlantic Annual Report on Form 10-K, which is filed with the Securities and Exchange Commission, contact Investor Relations:

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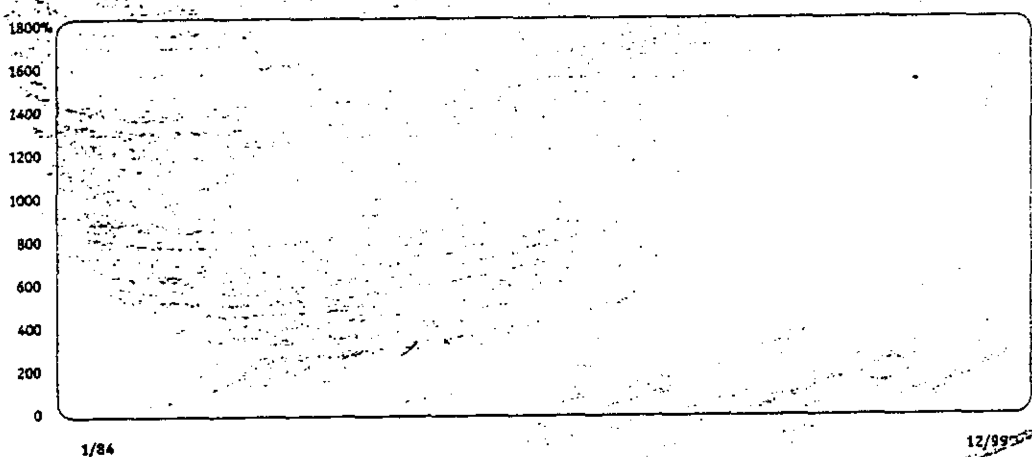
Fax-on-demand	212 329-7310
Shareowner newsline	800 BEL-5595

Bell Atlantic is in the midst of an extraordinarily eventful period in our drive to put together the assets and capabilities to compete in a restructured communications industry.

With the GTE and Vodafone AirTouch deals, we're on the brink of becoming a company with the scale, scope and national reach to deliver a full plate of services–voice, high-speed data, Internet access, and wireless–to customers all across the country.

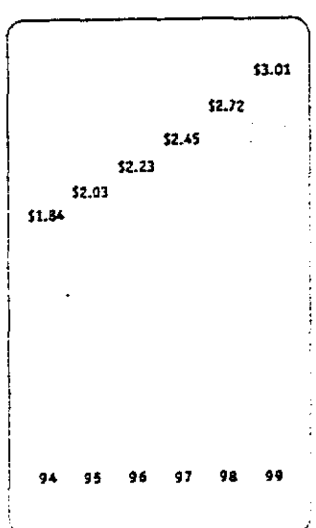
This transformation will allow us to fully participate in the growth of the new economy, creating a premier investment opportunity for shareowners.

Cumulative Total Return



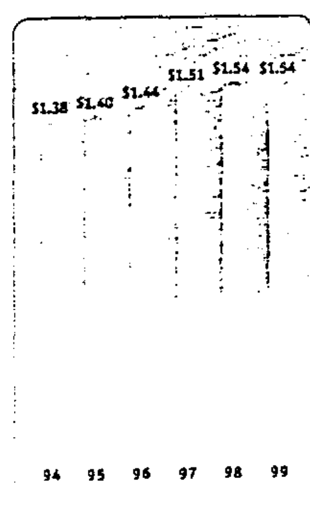
$100 invested in Bell Atlantic stock on 1/1/84, grew to $1,588 as of 12/31/99, assuming dividend reinvestment

Earnings per Share*

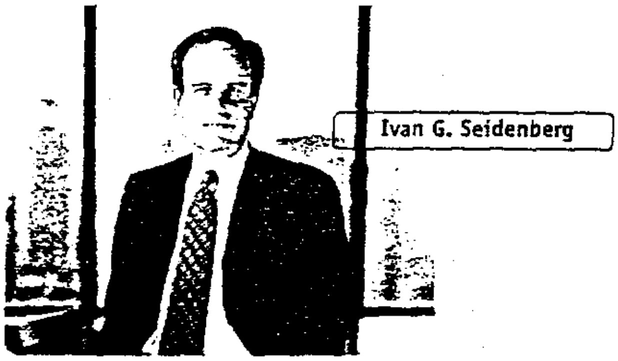


* Diluted basis, before special items
Reflects 2-for-1 stock split declared and paid in second quarter of 1998

Dividends per Share



Reflects 2-for-1 stock split declared and paid in second quarter of 1998

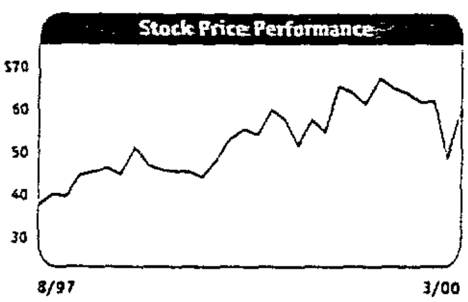


With a fifth straight year of double-digit earnings growth, Bell Atlantic delivered another strong year in 1999. It has also been a year of transformation. As I write this letter, we stand on the brink of closing a merger with GTE and completing a wireless joint venture with Vodafone AirTouch–giving us the scale, scope and national reach to be one of the premier investments in the global communications industry.

Our new company puts an exclamation point on our continuing drive to re-create our business in the face of technological change and globalizing markets. We're strengthening our core telecom and wireless businesses by investing in data-centric networks, improving our productivity, and breaking the long distance barrier. We're accelerating our growth by extending our reach into the data, e-commerce and wireless markets that are at the heart of the new economy.

And we will continue to manage this strategic transformation while meeting our ambitious financial and operating targets and delivering top-quality service to millions of customers.

Thanks to our strong operating and financial results, Bell Atlantic delivered a total return to shareowners of 16.9 percent in 1999. However, we are disappointed that, despite our strong fundamentals, our stock performance trailed that of the overall market in 1999 and the first quarter of 2000. Some factors affecting our stock are not unique to us, such as rising interest rates and the tide of investor flight from large established companies to the high-technology sector. Other investor concerns, such as deal uncertainty and competitive risk, will recede as we execute our game plan and increase revenues in growth markets such as data, wireless and long distance.



Long term, though, the market rewards companies with the right assets, the right markets, and the right strategies for growth. Our own history proves the case, with our stock appreciating more than 60 percent since we closed the merger with NYNEX.

That's why the biggest catalysts for growth in shareowner value will be our merger with GTE and our joint venture with Vodafone AirTouch–deals that will give us the best set of assets in the industry and transform the growth profile of our company.

For some time, our strategic goal has been to assemble the assets and capabilities to compete in a restructured communications industry. With the GTE and Vodafone AirTouch deals, we will be able to deliver a full plate of services–voice, data, Internet access and wireless–to customers all across the country.

Our new company will have the "pole position" in the three major segments of the communications industry.

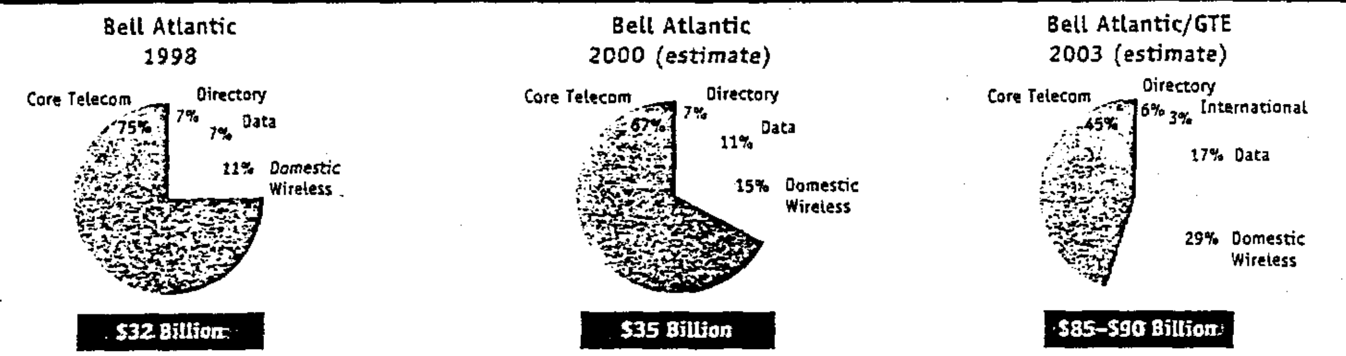
First, we will expand our telecom franchise from 43 million to 63 million access lines, making us the premier local exchange company in America. That means more ways to touch customers, more cash to fuel growth and innovation, and more investment capital to deploy the technologies of the future.

Second, we will expand our top-performing domestic wireless business by combining it with the U.S. wireless properties of Vodafone AirTouch and GTE. With a projected 27 million subscribers by the end of 2000, this joint venture will have no peer in the U.S. wireless market. Penetration for wireless is expected to more than double over the next few years, helped by new digital applications like wireless data. With a presence in 49 of the top 50 markets in the country, we'll be in a great position to participate in this growth.

Third, the merger with GTE will ultimately give us access to a top-tier Internet infrastructure business–currently operating as GTE Internetworking (GTE-I)–meaning we will be able to compete in the lucrative market for bringing end-to-end connectivity and e-commerce solutions to national and global customers. As the final step to address regulatory requirements, we have proposed to the FCC a plan to transfer a 90 percent ownership interest in GTE-I to third-party public shareowners until we get sufficient long distance relief in the Bell Atlantic states to operate the business.

Finally, the merger gives us added scale in international markets and greater opportunities to provide global connectivity. Our domestic presence and investments in more than 30 countries around the world give us a platform for growth in both telecom and wireless markets.

Diversified Revenue Profile



In short, these two strategic deals will transform Bell Atlantic from a regional company into a global competitor, with increasing exposure to the markets that are driving the new economy. We will expand our top-line growth and diversify our growth profile, with almost one-half our revenues coming from the high-growth data, wireless and international segments by 2003.

Here's how the stars are lining up over the next year:

- Almost half the U.S. population–137 million people–will be on-line.
- Four million Americans will be able to surf the Web, get a stock quote, make an on-line purchase–from their cell phones.
- Millions of customers will have a high-speed DSL connection at home that's as fast or faster than what they have at work.
- And business-to-business commerce in the U.S. will be a $250 billion business.

For Bell Atlantic, the timing could not be better.

What we see in the year ahead is a convergence of all the "megatrends" that are transforming communications, combined with the birth of a new company perfectly positioned to capitalize on them.

This transformation is well within our reach. We are convinced–as I hope you are–that we have a tremendous opportunity to achieve a market valuation that better reflects our assets and growth prospects.

Of course, lots of companies talk about transformation. But talk is cheap. Doing it is the hard part.

We have, and we will.

Our success in making this transition is a testament, first and foremost, to the dedication of our 145,000 Bell Atlantic employees and the leadership of our management team. They have shown great resilience and adaptability in the midst of change and a deep belief in the core values of our company: integrity, customer commitment, respect and excellence.

It is also a tribute to the women and men who sit on our Board of Directors, whose unwavering faith in our strategies and clear-eyed focus on the interests of our shareowners have been invaluable. With the merger with GTE, several outside directors are retiring from the Board: Lodewijk de Vink, James Gilliam, Jr., Stanley Goldstein, Thomas Kean, Elizabeth Kennan, John Maypole, Eckhard Pfeiffer, Rozanne Ridgway and Shirley Young.

On behalf of all Bell Atlantic shareowners, I extend my personal gratitude to these dedicated colleagues.

Finally, we couldn't accomplish any of this without a good partner–and, in GTE, we've had the best. From the beginning, Chuck Lee and I have had a common vision of where we wanted to go and have approached all the challenges along the way in a spirit of cooperation and mutual respect. Now, as we begin to integrate our two companies, we see that same sense of teamwork extending throughout our management teams.

We can't wait to bring these two powerful teams together, and we're convinced that we will be a flagship company in our industry for many years to come: a great place to build a career, a company known for top-quality service to customers, and a "must-have" investment for shareowners.

Ivan

Ivan G. Seidenberg
Chairman of the Board and
Chief Executive Officer

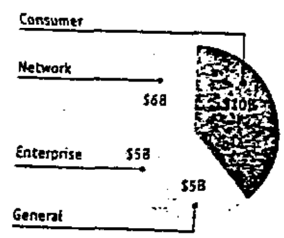
March 2000

Premier provider of advanced voice and data services from Maine to Virginia–the world's most information–intensive marketplace.

The Domestic Telecom business is organized around four major markets:

Consumer
22 million households; 27 million access lines
General Business
More than 2 million customers; 8 million access lines
Enterprise Business
More than 13,000 customers; 8 million access lines
Network Services
Nearly 1,000 wholesale customers

Revenues of $26 billion



BellAtlan

43 million access lines
$43 billion of assets
$7.5 billion capital program

One of the world's largest and most successful wireless companies, with domestic operations throughout the country and international investments in Latin America, Europe and the Pacific Rim.

The portfolio includes the following companies:

	Ownership %	Subscribers (M)
Bell Atlantic Mobile	100.0	7.7
PrimeCo Personal Communications	50.0	1.4
Grupo Iusacell (Mexico)	40.2	1.3
Omnitel Pronto Italia (Italy)	23.1	10.4
EuroTel Praha (Czech Republic)	24.5	1.1
EuroTel Bratislava (Slovakia)	24.5	0.3
STET Hellas (Greece)	20.0	1.2
Excelcomindo (Indonesia)	23.1	0.4
TuKa (Japan)	0.8	3.3

189 million proportionate POP s
Consolidated revenues of $4.6 billion
Proportionate revenues of $5.9 billion
$10 billion of assets

A global leader in publishing directories and in providing Internet-based shopping guides, website creation and hosting, and other electronic commerce services.

Directory Services has operations in the United States, China, Czech Republic, Gibraltar, Greece, Poland and Slovakia.

	Advertisers	Titles	Circulation
Domestic	735,000	510	69 M
International	215,000	128	17 M
Total	950,000	638	86 M

Revenues of $2.3 billion
Nearly $2 billion of assets

A mix of mature and start-up communications businesses in Europe and the Pacific Rim.

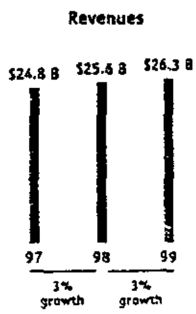
The portfolio includes the following companies:

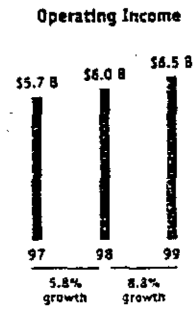
	Ownership %
Telecom Corporation of New Zealand (New Zealand)	24.9
Cable & Wireless Communications (United Kingdom)	18.5
FLAG (12 countries between UK and Japan)	29.4
TelecomAsia (Thailand)	18.2
Bayan Tel (Philippines)	20.0

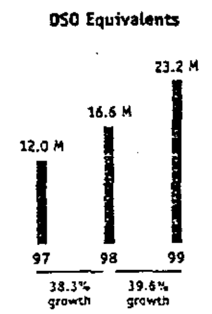
Market value in excess of $7 billion

Domestic Telecom

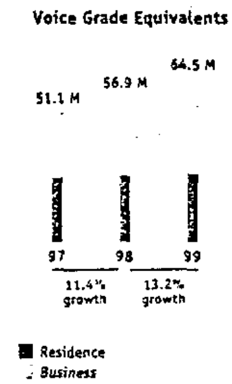
Strong volumes in traditional voice services, robust demand for new data services, and continuing productivity improvements account for the healthy state of our core telecom business. With the opening of new markets such as long distance and Internet access, rapid advances in digital technology, and the lowering of regulatory and geographical barriers, our solid core business will be a platform for delivering a growing suite of advanced communications services.







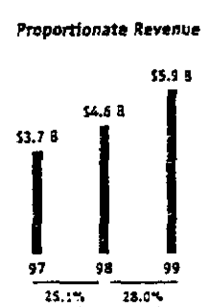
DS0 or "digital Signal" equivalents represent the conversion of high-bandwidth digital-based services to a common measure of bandwidth, which equals the capacity of one voice signal.

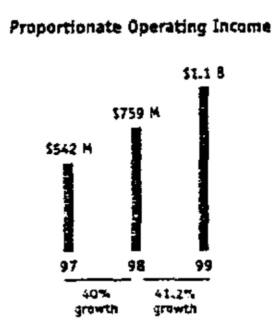


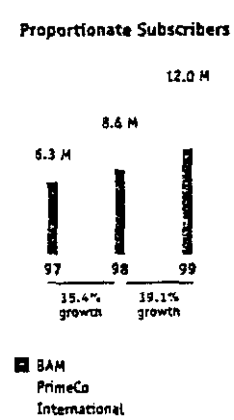
Voice Grade Equivalents represent the combination of switched access lines and DS0 equivalents.

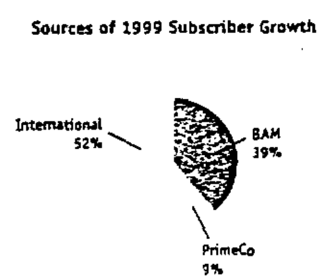
Global Wireless

The businesses that comprise our Global Wireless portfolio are among the top-performing wireless companies in the industry and continue to produce strong growth in subscribers, revenues, and profitability. The outlook for the worldwide wireless market is bright, as digital technology, pricing innovations, new applications, and especially the explosion of the wireless data market transform wireless into a full-service communications platform.









Overview

We are in the midst of an extraordinarily eventful period in our history as we continue to transform our business, assembling the assets and capabilities to compete in a telecommunications industry that is rapidly consolidating and becoming global in scope. In 1999, we continued to deliver on our financial targets and made dramatic progress on the strategic front, as well.

Financially, we achieved our fifth consecutive year of double-digit earnings growth, accelerated our revenue growth to more than 5%, and did an excellent job of controlling costs and capturing synergy savings from the Bell Atlantic–NYNEX merger. In addition, we continued to aggressively invest in areas of new growth, namely data, wireless, and long distance.

On the strategic front, we became the first of our peers to enter the long distance market, gaining approval to offer long distance service in the State of New York in late December 1999. We believe that competition expands markets, and the opening of our network to other providers has created significant opportunities for us, not just in long distance, but as a wholesale provider, as well. During the year, we expanded our data capabilities for the large business customer with some targeted acquisitions and alliances. And we reached a strategic agreement with Metromedia Fiber Network, Inc. that gives us access to fiber-optic capacity in 50 cities across the country and several international locations. On the residential side, we accelerated the roll-out of our high-speed Internet access service, Digital Subscriber Line, aiming to be able to serve ten million households in early 2000.

In the wireless business, we announced that we will join the U.S. wireless assets of Bell Atlantic and Vodafone AirTouch plc which, with the addition of GTE Corporation's (GTE) U.S. wireless assets, will create a new nationwide wireless company serving 49 of the top 50 markets in the nation. In addition, we continued to fill out our regional footprint with a number of small acquisitions and fully acquired the cellular properties of Frontier Corporation. We extended digital coverage to 95% of our market and entered the fast-growing wireless data market with several commercial products in the fall of 1999. Internationally, we increased our equity stake in Omnitel Pronto Italia S.p.A. (Omnitel), the fastest growing wireless company in Europe, to 23.14% in 1999.

And we continued to make progress on our most important strategic initiative of all, the merger with GTE. The state approval process is complete, our discussions with the Federal Communications Commission (FCC) continue, and we aim for Bell Atlantic and GTE to be one company in the second quarter of 2000.

Consolidated Results of Operations

In reviewing our operating performance, we discuss our results of operations on what we call an adjusted basis. This means we take our as-reported results and adjust for the effects of special items, which are of a nonoperational nature. We believe that this will assist readers in better understanding Bell Atlantic in terms of trends from period to period. A discussion of these special items, including tables which illustrate their effects on our consolidated statements of income, follows.

We reported net income of $4,202 million or $2.65 diluted earnings per share for the year ended December 31, 1999, compared to net income of $2,965 million or $1.86 diluted earnings per share for the year ended December 31, 1998. In 1997, we reported net income of $2,455 million or $1.56 diluted earnings per share.

Our reported results for all three years were affected by special items. After adjusting for such items, net income would have been $4,760 million or $3.01 diluted earnings per share in 1999, $4,323 million or $2.72 diluted earnings per share in 1998, and $3,847 million or $2.45 diluted earnings per share in 1997.

The table below summarizes reported and adjusted results of operations for each period.

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Operating revenues	$ 33,174	$ 31,566	$ 30,194
Operating expenses	24,679	24,939	24,853
Operating income	8,495	6,627	5,341
Reported Net Income	4,202	2,965	2,455
Special items–pre-tax			
Mark-to-market adjustment for exchangeable notes	664	–	–
Merger-related costs	205	196	519
Retirement incentive costs	–	1,021	513
Other charges and special items	–	589	1,041
Total special items–pre-tax	869	1,806	2,073
Tax effect and other tax-related items	(311)	(448)	(681)
Total special items–after-tax	558	1,358	1,392
Adjusted Net Income	$ 4,760	$ 4,323	$ 3,847
Diluted Earnings Per Share–Reported	$ 2.65	$ 1.86	$ 1.56
Diluted Earnings Per Share–Adjusted	$ 3.01	$ 2.72	$ 2.45

The following table shows how special items are reflected in our consolidated statements of income for each period.

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Operating Revenues			
Regulatory contingencies	$ -	$ -	$ 179
Employee Costs			
Retirement incentive costs	-	1,021	513
Merger direct incremental costs	-	-	53
Merger severance costs	-	-	223
Merger transition costs	58	15	4
Video-related charges	-	-	12
Other special items	-	30	-
Depreciation and Amortization			
Write-down of assets	-	40	300
Other Operating Expenses			
Merger direct incremental costs	-	-	147
Merger transition costs	147	181	92
Video-related charges	-	15	69
Real estate consolidation	-	-	55
Regulatory, tax and legal contingencies and other special items	-	9	347
	205	1,311	1,815
Income/Loss From Unconsolidated Businesses			
Write-down of Asian investments	-	485	-
Write-down of video investments	-	8	162
Equity share of CWC formation costs	-	-	59
Gains on sales of investments	-	-	(142)
Other Income and Expense, Net			
Write-down of assets	-	(45)	-
Interest Expense			
Write-down of assets	-	47	-
Mark-to-Market Adjustment for Exchangeable Notes	664	-	-
Total Special Items–Pre-Tax	869	1,806	2,073
Provision for Income Taxes			
Tax effect of special items and other tax-related items	(311)	(448)	(681)
Total Special Items–After-Tax	$ 558	$ 1,358	$ 1,392

What follows is a further explanation of the nature and timing of these special items.

Mark-to-Market Adjustment for Exchangeable Notes

Year 1999

In the fourth quarter of 1999, we recorded a loss on a mark-to-market adjustment of $664 million ($432 million after-tax) related to our $3.2 billion notes exchangeable into shares of Cable & Wireless Communications plc (CWC). This noncash, nonoperational adjustment resulted in an increase in the carrying value of the debt obligation and a charge to income. This mark-to-market adjustment was required because the CWC exchangeable notes are indexed to the fair market value of CWC's common stock. At December 31, 1999, the price of CWC shares exceeded the exchange price established at the offering date. If the share price of CWC subsequently declines, our debt obligation is reduced (but not to less than its amortized carrying value) and income is increased. A mark-to-market adjustment may be recorded monthly, recognizing either a gain or a loss, to reflect the difference between the CWC market price and the exchange price (no adjustment is required if the market price is below the exchange price). The CWC exchangeable notes may be exchanged beginning in July 2002. For additional information about the CWC exchangeable notes, see Note 10 to the consolidated financial statements.

Merger-related Costs

Years 1999, 1998 and 1997

In connection with the Bell Atlantic-NYNEX merger, which was completed in August 1997, we recorded pre-tax merger-related costs totaling $205 million in 1999, $196 million in 1998, and $519 million in 1997.

In 1999 and 1998, all merger-related costs were transition and integration costs. Transition and integration costs represent costs associated with integrating the operations of Bell Atlantic and NYNEX, such as systems modifications costs, advertising and branding costs, and costs associated with the elimination and consolidation of duplicate facilities, relocation and retraining. Transition and integration costs are expensed as incurred.

In 1997, direct incremental costs consisted of expenses associated with completing the merger transaction, such as professional and regulatory fees, compensation arrangements, and shareowner-related costs. Employee severance costs, as recorded under SFAS No. 112, "Employers' Accounting for Postemployment Benefits," represent the anticipated benefit costs for the separation by the end of 1999 of approximately 3,100 management employees who are entitled to benefits under pre-existing separation pay plans. During 1997, 1998, and 1999, 245, 856, and 231 management employees were separated with severance benefits. At December 31, 1999, the merger-related separations were completed and the remaining liability balance represents our obligation for ongoing separations under the pre-existing separation plan pays in accordance with SFAS No. 112.

Merger-related costs were comprised of the following amounts in each year:

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Transition and Integration Costs			
Systems modifications	$ 186	$ 149	$ 36
Advertising	-	20	-
Branding	1	11	48
Relocation, training and other	18	16	12
Total Transition and Integration Costs	205	196	96
Direct Incremental Costs			
Professional services			80
Compensation arrangements			54
Shareowner-related			16
Registration and other regulatory			18
Taxes and other			32
Total Direct Incremental Costs			200
Employee Severance Costs			223
Total Merger-Related Costs	$ 205	$ 196	$ 519

Retirement Incentives

Years 1998 and 1997

In 1993, we announced a restructuring plan which included an accrual of approximately $1.1 billion (pre-tax) for severance and postretirement medical benefits under an involuntary force reduction plan. Beginning in 1994, retirement incentives were offered under a voluntary program as a means of implementing substantially all of the work force reductions announced in 1993.

Since the inception of the retirement incentive program, we have recorded additional costs totaling approximately $3.0 billion (pre-tax) through December 31, 1998. These additional costs and the corresponding number of employees accepting the retirement incentive offer for each year ended December 31 are as follows:

	(dollars in millions)	
Years	Amount	Employees
1994	$ 694	7,209
1995	515	4,759
1996	236	2,996
1997	513	4,311
1998	1,021	7,299
	$ 2,979	26,574

The additional costs were comprised of special termination pension and postretirement benefit amounts, as well as employee costs for other items. These costs were reduced by severance and postretirement medical benefit reserves established in 1993 and transferred to offset the pension and postretirement benefit liabilities as employees accepted the retirement incentive offer. The voluntary retirement program covering associate employees was completed in September 1998. The severance and postretirement medical reserves balances were fully utilized at December 31, 1998. You can find additional information on retirement incentive costs in Note 16 to the consolidated financial statements.

Other Charges and Special Items

Year 1998

During 1998, we recorded other charges and special items totaling $589 million (pre-tax) in connection with the write-down of Asian investments and obsolete or impaired assets and for other special items arising during the period. The remaining liability associated with these charges was $2 million at December 31, 1999 and $8 million at December 31, 1998. These charges are comprised of the following significant items.

Asian Investments

In the third quarter of 1998, we recorded pre-tax charges of $485 million to adjust the carrying values of two Asian investments – TelecomAsia, a wireline investment in Thailand, and Excelcomindo, a wireless investment in Indonesia. We account for these investments under the cost method.

The charges were necessary because we determined that the decline in the estimated fair values of each of these investments was other than temporary. We determined the fair values of these investments by discounting estimated future cash flows.

In the case of TelecomAsia, we recorded a charge of $348 million to adjust the carrying value of the investment to its estimated fair value. We considered the following factors in determining this charge:

- The continued weakness of the Thai currency as compared to historical exchange rates had placed additional financial burdens on the company in servicing U.S. dollar-denominated debt.
- The economic instability and prospects for an extended recovery period had resulted in weaker than expected growth in TelecomAsia's business. This was indicated by slower than expected growth in total subscribers and usage. These factors resulted in reduced expectations of future cash flows and, accordingly, a reduction in the value of our investment.
- The business plan for TelecomAsia contemplated cash flows from several lines of business. Given TelecomAsia's inclination to focus on its core wireline business, these other lines of business would not contribute future cash flows at previously expected levels.

In the case of Excelcomindo, we recorded a charge of $137 million to adjust the carrying value of the investment to its estimated fair value. We considered the following factors in determining this charge:

- The continued weakness of the Indonesian currency as compared to historical exchange rates had placed additional financial burdens on the company in servicing U.S. dollar-denominated debt. The political unrest in Indonesia contributed to the currency's instability.
- The economic instability and prospects for an extended recovery period had resulted in weaker than expected growth in Excelcomindo's business. One significant factor was the inflexible tariff regulation despite rising costs due to inflation. This and other factors resulted in reduced expectations of future cash flows and, accordingly, a reduction in the value of our investment.
- Issues with cash flow required Excelcomindo's shareholders to evaluate the future funding of the business.

We continue to monitor the political, economic, and financial aspects of our remaining investments in Thailand and Indonesia, as well as other investments. The book value of our remaining Asian investments was approximately $179 million at December 31, 1999. Should we determine that any further decline in the fair values of these investments is other than temporary, the impact could be material to our results of operations.

Video-related Charges

During 1998, we recorded pre-tax charges of $23 million related primarily to wireline and other nonsatellite video initiatives. We made a strategic decision in 1998 to focus our video efforts on satellite service offered in conjunction with DirecTV and USSB. We communicated the decision to stop providing wireline video services to subscribers and offered them the opportunity to subscribe to the satellite-based video service that we introduced in 1998. In the third quarter of 1998, we decided to dispose of these wireline video assets by sale or abandonment, and we conducted an impairment review under the requirements of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." We based our estimate on an estimate of cash flows expected to result from the use of the assets prior to their disposal and the net proceeds (if any) expected to result from the disposal.

Write-down of Other Assets and Other Items

Results for 1998 also included a pre-tax charge, net of minority interest, of $42 million for the write-down of fixed assets (primarily buildings and wireless communications equipment) and capitalized interest associated with our Mexican wireless investment, Grupo Iusacell, S.A. de C.V. (Iusacell), which we account for as a consolidated subsidiary.

These assets relate to Iusacell's trial of fixed wireless service provided over the 450 MHz frequency. While continuing this trial, Iusacell has been considering whether or not to pursue its rights to acquire 450 MHz licenses for certain areas or to offer new services. Iusacell concluded that, in view of the capability of CDMA technology and the success it had with its deployment, an impairment existed with respect to assets related to the 450 MHz technology since the carrying value of these assets exceeded the sum of the estimated future cash flows associated with the assets. Iusacell is waiting for a definitive proposal from the Mexican Federal Telecommunications Commissions (COFETEL) as to the terms under which it could acquire certain 450 MHz licenses in 2000. At that time, we should have available the full facts to decide Iusacell's overall strategy concerning the 450 MHz licenses.

Other items arising in 1998 included charges totaling $39 million principally associated with the settlement of labor contracts in August 1998.

Year 1997

During 1997, we recorded other charges and special items totaling $1,041 million (pre-tax) in connection with consolidating operations and combining organizations, and for other special items arising during the year. You can find additional detail about these accrued liabilities in Note 2 to the consolidated financial statements.

Video-related Charges

In 1997, we recognized total pre-tax charges of $243 million related to certain video investments and operations. We determined that we would no longer pursue a multichannel, multipoint, distribution system (MMDS) as part of our video strategy. As a result, we recognized liabilities for purchase commitments associated with the MMDS technology and costs associated with closing the operations of our Tele-TV partnership because this operation no longer supports our video strategy. We also wrote-down our remaining investment in CAI Wireless Systems, Inc.

Write-down of Assets and Real Estate Consolidation

In the third quarter of 1997, we recorded pre-tax charges of $355 million for the write-down of obsolete or impaired fixed assets and for the cost of consolidating redundant real estate properties. As part of our merger integration planning, we reviewed the carrying values of long-lived assets. This review included estimating remaining useful lives and cash flows and identifying assets to be abandoned. In the case of impaired assets, we analyzed cash flows related to those assets to determine the amount of the impairment. As a result of these reviews, we recorded charges of $275 million for the write-off of some assets and $25 million for the impairment of other assets. These assets primarily included computers and other equipment used to transport data for internal purposes, copper wire used to provide telecommunications service in New York, and duplicate voice mail platforms. None of these assets is held for disposal. At December 31, 1998 and 1999, the impaired assets had no remaining carrying value.

In connection with our merger integration efforts, we consolidated real estate to achieve a reduction in the total square footage of building space that we utilize. We sold properties, subleased some of our leased facilities, and terminated other leases, for which we recorded a charge of $55 million in the third quarter of 1997. Most of the charge related to properties in Pennsylvania and New York, where corporate support functions were consolidated into fewer work locations.

Regulatory, Tax and Legal Contingencies and Other Special Items

In 1997, we also recorded reductions to operating revenues and charges to operating expenses totaling $526 million (pre-tax), which consisted of the following:

- Revenue reductions consisted of $179 million for federal regulatory matters. These matters relate to specific issues that are currently under investigation by federal regulatory commissions. We believe that it is probable that the ultimate resolution of these pending matters will result in refunds to our customers.
- Charges to operating expenses totaled $347 million and consisted of $75 million for interest on federal and other tax contingencies; $55 million for other tax matters; and $52 million for legal contingencies and a state regulatory audit issue. These contingencies were accounted for under the rules of SFAS No. 5, "Accounting for Contingencies." These charges also included $95 million related to costs incurred in standardizing and consolidating our directory businesses and $70 million for other post-merger initiatives.

Other charges arising in 1997 included $59 million for our equity share of formation costs previously announced by Cable & Wireless Communications plc (CWC). We own an 18.6% interest in CWC and account for our investment under the equity method.

In 1997, we recognized pre-tax gains of $142 million on the sales of our ownership interests of several nonstrategic businesses. These gains included $42 million on the sale of our interest in Sky Network Television Limited of New Zealand (SkyTV); $54 million on the sale of our 33% stake in an Italian wireline venture, Infostrada; and $46 million on the sale of our two-sevenths interest in Bell Communications Research, Inc. (Bellcore).

Segmental Results of Operations

We have four reportable segments, which we operate and manage as strategic business units and organize by products and services. Our segments are Domestic Telecom, Global Wireless, Directory and Other Businesses. You can find additional information about our segments in Note 18 to the consolidated financial statements.

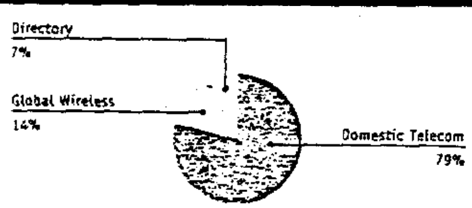
We measure and evaluate our reportable segments based on adjusted net income, which excludes undistributed corporate expenses and special items arising during each period. Special items are transactions that management has excluded from the business units' results, but are included in reported consolidated earnings. We previously described these special items in the Consolidated Results of Operations section. Special items affected our segments as follows:

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Domestic Telecom			
Reported net income	$ 3,332	$ 2,383	$ 2,016
Special items	112	790	977
Adjusted net income	$ 3,444	$ 3,173	$ 2,993
Global Wireless			
Reported net income	$ 388	$ 50	$ 113
Special items	–	178	(18)
Adjusted net income	$ 388	$ 228	$ 95
Directory			
Reported net income	$ 712	$ 662	$ 564
Special items	14	22	93
Adjusted net income	$ 726	$ 684	$ 657
Other Businesses			
Reported net income (loss)	$ 67	$ (231)	$ 28
Special items	–	366	20
Adjusted net income	$ 67	$ 135	$ 48
Reconciling Items			
Reported net income (loss)	$ (297)	$ 101	$ (266)
Special items	432	2	320
Adjusted net income	$ 135	$ 103	$ 54

Reconciling items consist of corporate operations and intersegment eliminations.

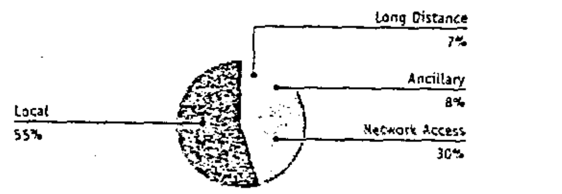
1999 Revenues By Segment



Domestic Telecom

Our Domestic Telecom segment consists primarily of our nine operating telephone subsidiaries that provide local telephone services from Maine to Virginia, including voice and data transport, enhanced and custom calling features, network access, directory assistance, private lines, and public telephones. This segment also provides customer premises equipment distribution, data solutions and systems integration, billing and collections, and Internet access services. Domestic Telecom represents the aggregation of our domestic wireline business units (consumer, enterprise, general business, and network services) that focus on specific markets to meet customer requirements.

1999 Domestic Telecom Revenue Components



Highlights

Healthy demand for core communications services and robust demand for new data services enabled the Domestic Telecom group to increase total operating revenues 3.0% in each of 1999 and 1998 over the respective prior year. Access lines grew 3.1% in 1999 and 4.1% in 1998. Basic access line growth has declined because customers are now choosing high capacity/high speed services for their transport. The number of voice-grade equivalents (access lines plus data circuits) in service grew 13.2% in 1999 and 11.6% in 1998. The number of DS0 circuits in service (digital, high-bandwidth and packet-switched services as measured in 64-kilobit voice-grade equivalents) increased 39.6% over 1998 and 38.3% over 1997. Growth in access minutes of use was 5.0% in 1999, compared to 7.8% in 1998, reflecting a decline in customer demand due to win-back programs for long distance services and a shift to wireless calling.

Data revenues (including those from high-bandwidth, packet-switched, and special access services and network integration businesses) reached over $2.9 billion for the year 1999, nearly 26% over 1998 levels. Data revenues in 1998 totaled $2.3 billion, an increase of 33% over 1997.

Adjusted operating expenses totaled $19.8 billion in 1999, 1.2% above 1998 levels and $19.5 billion in 1998, an increase of 2.2% over 1997. Results in all three years included costs for long distance entry, construction of a regional long distance network, Year 2000 compliance costs, and interconnection payments to competitive local exchange carriers.

Additional financial information about Domestic Telecom's results of operations for 1999, 1998, and 1997 follows.

Years Ended December 31, Results of Operations–Adjusted Basis	1999	1998	1997
		(dollars in millions)	
Operating Revenues			
Local services	$ 14,346	$ 13,882	$ 13,256
Network access services	7,924	7,656	7,340
Long distance services	1,816	1,929	2,190
Ancillary services	2,236	2,090	2,023
	26,322	25,557	24,809
Operating Expenses			
Employee costs	7,275	7,298	7,436
Depreciation and amortization	5,505	5,195	4,990
Other operating expenses	6,994	7,047	6,696
	19,774	19,540	19,122
Operating Income	$ 6,548	$ 6,017	$ 5,687
Income (Loss) From Unconsolidated Businesses	$ 14	$ 27	$ (14)
Adjusted Net Income	$ 3,444	$ 3,173	$ 2,993

Operating Revenues

Local Services

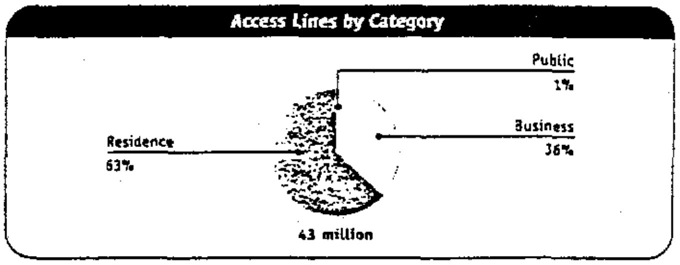
Local service revenues are earned by our operating telephone subsidiaries from the provision of local exchange, local private line, public telephone (pay phone) and value-added services. Value-added services are a family of services that expand the utilization of the network. These services include products such as Caller ID, Call Waiting and Return Call.

Growth in local service revenues of $464 million or 3.3% in 1999 and $626 million or 4.7% in 1998 was spurred by higher usage of our network facilities. This growth, generated in part by an increase in access lines in service in each year, reflects strong customer demand and usage of our data transport and digital services, such as Frame Relay, Integrated Services Digital Network (ISDN) and Switched Multi-megabit Data Service (SMDS). Revenues from our value-added services were boosted in both years by marketing and promotional campaigns offering new service packages.

In 1999, local service revenue growth was partially offset by the effect of resold access lines and the provision of unbundled network elements to competitive local exchange carriers. Lower revenues from our pay phone services due to the increasing popularity of wireless communications and a rebate to customers in Massachusetts further reduced revenues in 1999.

In 1998, revenue growth was partially offset by price reductions on certain local services and the elimination of Touch-Tone service charges by several of our operating telephone subsidiaries.

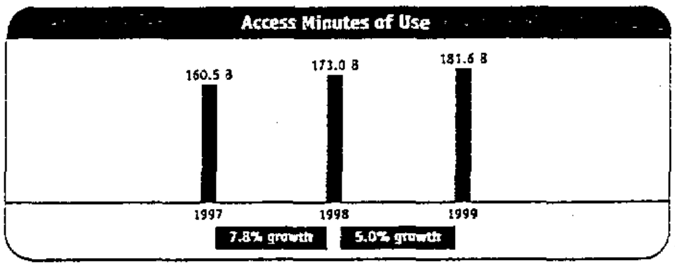
You can find additional information on the Telecommunications Act of 1996 (1996 Act) and its impact on the local exchange market under "Other Factors That May Affect Future Results."



Network Access Services

Network access revenues are earned from end-user subscribers and long distance and other competing carriers who use our local exchange facilities to provide services to their customers. Switched access revenues are derived from fixed and usage-based charges paid by carriers for access to our local network. Special access revenues originate from carriers and end-users that buy dedicated local exchange capacity to support their private networks. End-user access revenues are earned from our customers and from resellers who purchase dial-tone services.

Our network access revenues grew $268 million or 3.5% in 1999 and $316 million or 4.3% in 1998. This growth was mainly attributable to customer demand, as reflected by growth in access minutes of use. Volume growth also reflects a continuing expansion of the business market, particularly for high capacity data services. In 1999 and 1998, demand for special access services increased, reflecting a greater utilization of the network. Higher network usage by alternative providers of intraLATA toll services and higher end-user revenues attributable to an increase in access lines in service further contributed to revenue growth in both years.



In 1999, network access revenues included approximately $90 million received from customers for the recovery of local number portability (LNP) costs. LNP allows customers to change local exchange carriers while maintaining their existing telephone numbers. In December 1998, the FCC issued an order permitting us to recover costs incurred for LNP in the form of monthly end-user charges for a five-year period beginning in March 1999.

Volume-related growth was partially offset by price reductions associated with federal and state price cap filings and other regulatory decisions. State public utility commissions regulate our operating telephone subsidiaries with respect to certain intrastate rates and services and certain other matters. State rate reductions on access services were approximately $104 million in 1999, $79 million in 1998, and $97 million in 1997.

The FCC regulates the rates that we charge long distance carriers and end-user subscribers for interstate access services. We are required to file new access rates with the FCC each year. In July 1999, we implemented interstate price decreases of approximately $235 million on an annual basis in connection with the FCC's Price Cap Plan. The rates included in our July 1999 filing will be in effect through June 2000. Interstate price decreases were $175 million on an annual basis for the period July 1998 through June 1999 and $430 million on an annual basis for the period July 1997 through June 1998. Beginning in January 1998, the rates include amounts necessary to recover our operating telephone subsidiaries' contribution to the FCC's universal service fund and are subject to change every quarter due to potential increases or decreases in our contribution to the universal service fund. The subsidiaries' contributions to the universal service fund are included in Other Operating Expenses.

You can find additional information on FCC rulemakings concerning access charges, price caps, and universal service under "Other Factors That May Affect Future Results."

Long Distance Services

Long distance revenues are earned primarily from calls made to points outside a customer's local calling area, but within the service area of an operating telephone subsidiary (intraLATA toll). Other long distance services that we provide include 800 services, Wide Area Telephone Service (WATS), corridor services and long distance services originating outside of our region.

IntraLATA toll calls originate and terminate within the same LATA, but generally cover a greater distance than a local call. These services are regulated by state regulatory commissions, except where they cross state lines. All of our state regulatory commissions permit other carriers to offer intraLATA toll services.

Until the implementation of presubscription, intraLATA toll calls were completed by our operating telephone subsidiaries unless the customer dialed a code to access a competing carrier. Presubscription changed this dialing method and enabled customers to make these toll calls using another carrier without having to dial an access code. All of our operating telephone companies have implemented presubscription.

The competitive effects of presubscription for intraLATA toll services principally caused declines in long distance revenues of $113 million or 5.9% in 1999 and $261 million or 11.9% in 1998. The negative effect of presubscription on long distance revenues was partially mitigated by increased network access services for usage of our network by these alternative providers. In response to presubscription, we have implemented customer win-back and retention initiatives that include toll calling discount packages and product bundling offers. These revenue reductions were partially offset by higher calling volumes in both years.

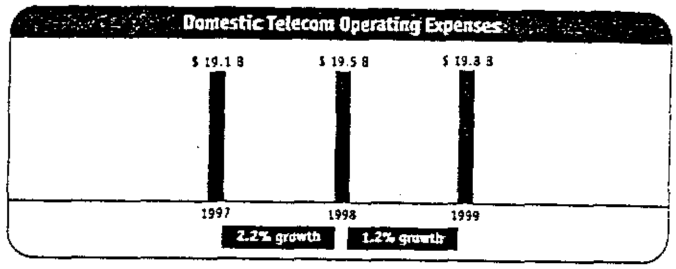
In December 1999, we won approval to offer in-region long distance service in the State of New York, which we launched in January 2000. You can find additional information on our entry into the in-region long distance market under "Other Factors That May Affect Future Results."

Ancillary Services

Our ancillary services include billing and collections for long distance carriers, collocation for competitive local exchange carriers, data solutions and systems integration, voice messaging, Internet access, customer premises equipment and wiring and maintenance services.

Revenues from ancillary services grew $146 million or 7.0% in 1999 and $67 million or 3.3% in 1998. Revenue growth in both years was attributable to higher demand for such services as data solutions and systems integration, voice messaging, and billing and collections. Revenue growth in 1999 was also boosted by higher payments received from competitive local exchange carriers for interconnection of their networks with our network. Revenues earned from our customer premises services increased in 1999, while in 1998 revenues from these services declined over the prior year. These factors were partially offset in both years by accruals primarily for regulatory matters.

Operating Expenses



Employee Costs

Employee costs, which consist of salaries, wages and other employee compensation, employee benefits and payroll taxes, declined by $23 million or 0.3% in 1999 and by $138 million or 1.9% in 1998. These cost reductions were largely attributable to lower pension and benefit costs of $158 million in 1999 and $286 million in 1998. Our pension and benefit costs have declined in each year chiefly due to favorable pension plan investment returns and changes in plan provisions and actuarial assumptions. These factors were partially offset in 1999 by increased health care costs caused by inflation, savings plan benefit improvements for certain management employees, as well as benefit improvements provided for under new contracts with associate employees.

In 1999, the effect of capitalizing employee-related expenses associated with developing internal use software under the new accounting standard, Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," also contributed approximately $100 million to the reduction in employee costs. For additional information on SOP No. 98-1, see Note 1 to the consolidated financial statements.

Cost reductions in both years were partially offset by annual salary and wage increases for management and associate employees and higher payroll taxes. In 1998, we executed new contracts with unions representing associate employees. The new contracts provide for wage and pension increases and other benefit improvements as follows:

- The wages, pension and other benefits for our associate employees are negotiated with unions. During 1998, we entered into two-year contracts with the Communications Workers of America (CWA), representing more than 73,000 associate workers and with the International Brotherhood of Electrical Workers (IBEW), representing approximately 13,000 associate workers in New York and the New England states. These contracts, which expire in August 2000, provide for wage increases of up to 3.8% effective August 1998, and up to 4% effective August 1999. Over the course of this two-year contract period, pension increases range from 11% to 20%. The contracts also include cash payments, working condition improvements, and continuation of certain employment security provisions.
- We also entered into a two-year extension of contracts with the IBEW, representing approximately 9,000 associate members in New Jersey and Pennsylvania. These contracts, which expire in August 2002, provide for wage increases of 4.8% in April 1999, 3% in May 2000, and 3% in May 2001. Pensions will increase by a total of 11% for the years 1999-2001, and there will be improvements in a variety of other benefits and working conditions.

Other items affecting the change in employee costs in 1999, but to a lesser extent, were higher overtime payments due to severe rainstorms experienced throughout the region and higher work force levels attributable to our recent entry into the in-region long distance market in New York and service quality improvement initiatives. A reduction of work force in 1998 contributed to the decline in employee costs in that year.

You should also read "Other Factors That May Affect Future Results-Pension Plan Amendments" for additional information on employee benefit costs.

Depreciation and Amortization

Depreciation and amortization expense increased by $310 million or 6.0% in 1999 and by $205 million or 4.1% in 1998, principally due to growth in depreciable telephone plant and changes in the mix of plant assets. The adoption of SOP No. 98-1 contributed approximately $100 million to the increase in depreciation expense in 1999. Under this new accounting standard, computer software developed or obtained for internal use is now capitalized and amortized. Previously, we expensed most of these software purchases in the period in which they were incurred. These factors were partially offset in both years by the effect of lower rates of depreciation.

Other Operating Expenses

Other operating expenses declined by $53 million or 0.8% in 1999, compared to an increase of $351 million or 5.2% in 1998. The major components that caused the change in other operating expenses in both years included higher costs associated with entering new businesses such as long distance and data services, and higher interconnection payments to competitive local exchange and other carriers to terminate calls on their networks (reciprocal compensation). Payments for reciprocal compensation increased over the prior year by approximately $175 million in each of 1999 and 1998.

In 1999, these factors were largely offset by the effect of SOP No. 98-1, which reduced other operating expenses by approximately $370 million as a result of capitalizing expenditures for internal use software previously expensed in 1998 and prior years. Lower costs associated with opening our network to competitors, including local number portability, and lower spending by our operating telephone subsidiaries for such expenditures as rent, marketing and advertising further offset expense increases in 1999.

Other operating expenses in 1998 also included additional Year 2000 readiness costs, higher material purchases, and additional costs associated with our contribution to the federal universal service fund which was created by the FCC in 1998. The cost increases in 1998 were partially offset by lower taxes other than income due to the effect of a change in New Jersey state tax law. This state tax law change, which became effective January 1, 1998, repealed the gross receipts tax for our operating telephone subsidiary in New Jersey and replaced it with a net income-based tax.

For additional information on reciprocal compensation refer to "Other Factors That May Affect Future Results."

Income (Loss) From Unconsolidated Businesses

The change in income (loss) from unconsolidated businesses in 1999 and 1998 was primarily due to the effect of the disposition of our video operations.

Global Wireless

Our Global Wireless segment provides wireless telecommunications services to customers in 24 states in the United States and includes foreign wireless investments servicing customers in Latin America, Europe and the Pacific Rim.

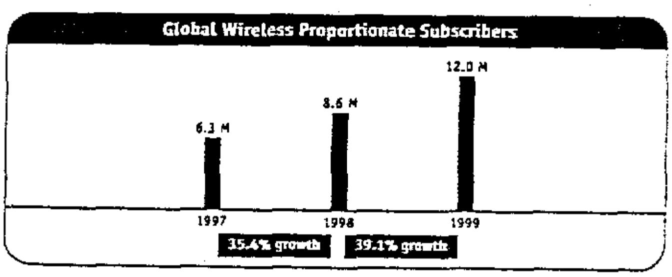
Highlights

The Global Wireless group's adjusted net income grew $160 million or 70.2% in 1999 and $133 million or 140% in 1998. This growth was fueled by strong subscriber growth at our domestic wireless subsidiary, Bell Atlantic Mobile (BAM), and record growth in new customers in the group's international wireless portfolio. Our international portfolio includes our investments in Omnitel in Italy, STET Hellas in Greece, EuroTel Praha in the Czech Republic, and our fully-consolidated Iusacell investment in Mexico.

In December 1999, BAM completed the acquisition of Frontier Corporation's (Frontier) interests in wireless properties doing business under the Frontier Cellular name. This acquisition increased BAM's ownership in Frontier from 50% to 100%. As a result, we changed the accounting for our Frontier Cellular investment from the equity method to full consolidation.

The Global Wireless group ended the year 1999 with approximately 12.0 million global proportionate wireless subscribers, up 39.1% over year-end 1998. The 1999 subscriber amount includes 452,000 added through BAM's acquisition of Frontier Cellular properties. At year-end 1998, our global proportionate wireless subscribers totaled approximately 8.6 million, an increase of 35.4% over year-end 1997.

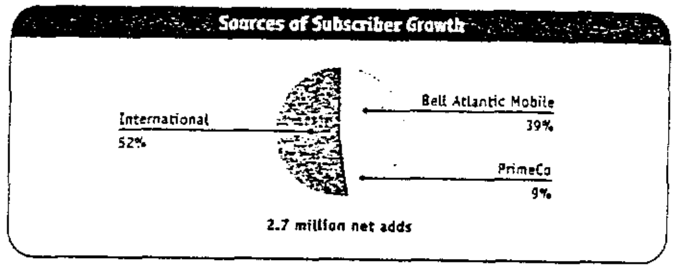
BAM ended 1999 with approximately 7.7 million customers (including Frontier Cellular subscribers), an increase of 24.0% over year-end 1998. At year-end 1998, BAM customers totaled approximately 6.2 million, an increase of 15.8% over year-end 1997. Total revenue per subscriber for BAM operations was $51.71 in 1999, $50.84 in 1998, and $53.15 in 1997. PrimeCo Personal Communications, L.P. (PrimeCo), a personal communications services (PCS) joint venture in the United States which we account for under the equity method, reported proportionate subscriber growth of 52.8% in 1999 and 133.1% in 1998.



Additional financial information about Global Wireless results of operations for 1999, 1998, and 1997 follows.

Years Ended December 31, Results of Operations–Adjusted Basis	1999	1998	1997 (dollars in millions)
Operating Revenues			
Wireless services revenues	$ 4,564	$ 3,798	$ 3,347
Operating Expenses			
Employee costs	604	548	490
Depreciation and amortization	673	592	481
Other operating expenses	2,459	1,942	1,742
	3,736	3,082	2,713
Operating Income	$ 828	$ 716	$ 634
Income (Loss) From Unconsolidated Businesses	$ 80	$ (96)	$ (196)
Adjusted Net Income	$ 388	$ 228	$ 95

Operating Revenues



Revenues earned from our consolidated wireless businesses grew by $766 million or 20.2% in 1999 and $451 million or 13.5% in 1998. This revenue growth was largely attributable to BAM, which contributed $658 million to revenue growth in 1999 and $383 million to revenue growth in 1998. Customer additions and increased usage of our domestic wireless services drove this growth. New pricing plans for BAM's digital wireless services fueled subscriber growth in 1999. Revenues from Iusacell grew $130 million in 1999 and $63 million in 1998, principally as a result of subscriber growth and higher rates charged for services.

Revenue growth in 1999 from our consolidated wireless businesses was slightly offset by the effect of the December 1998 sale of our paging business.

Operating Expenses

Employee Costs

Employee costs increased by $56 million or 10.2% in 1999 and $58 million or 11.8% in 1998, principally as a result of higher work force levels at BAM. Employee costs at Iusacell were lower in 1999 as a result of work force reductions and higher in 1998 as a result of increased employee levels and related benefits.

Depreciation and Amortization

Depreciation and amortization expense increased by $81 million or 13.7% in 1999 and by $111 million or 23.1% in 1998. This increase was mainly attributable to growth in depreciable cellular plant at BAM, contributing $69 million in 1999 and $110 million in 1998 to higher depreciation costs. Higher depreciation costs at Iusacell also contributed to expense growth in 1999, but to a lesser extent. These increases were chiefly due to increased capital expenditures to support the increasing demand for wireless services in both the domestic and international markets.

Other Operating Expenses

In 1999, other operating expenses increased by $517 million or 26.6%, compared to $200 million or 11.5% in 1998. These increases were primarily attributable to our BAM operations as a result of increased service costs due to the growth in their subscriber base, including additional costs of equipment, higher roaming payments to wireless carriers, and higher sales commissions. BAM's other operating expenses, including taxes other than income, increased $459 million in 1999 and $149 million in 1998. Higher service costs at Iusacell also contributed to expense growth in both years, but to a lesser extent. In 1999, these factors were slightly offset by the effect of the December 1998 sale of our paging business.

Income (Loss) From Unconsolidated Businesses

The changes in income (loss) from unconsolidated businesses in 1999 and 1998 were principally due to improved operating results from our wireless investments in PrimeCo and Omnitel, fueled primarily by strong subscriber growth. Equity income from Omnitel included the effect of increased goodwill amortization as a result of increases in our economic ownership in Omnitel in 1999 and 1998. PrimeCo's results in 1999 included a gain on the sale of operations in Hawaii. Other international wireless investments such as STET Hellas and EuroTel Praha also reported improved operating results in 1999.

Directory

Our Directory segment consists of our domestic and international publishing businesses, including print directories and Internet-based shopping guides, as well as website creation and other electronic commerce services.

This segment has operations principally in the United States and Central Europe.

Years Ended December 31, Results of Operations–Adjusted Basis	1999	1998	1997
			(dollars in millions)
Operating Revenues			
Directory services revenues	$ 2,338	$ 2,264	$ 2,215
Operating Expenses			
Employee costs	314	326	215
Depreciation and amortization	36	37	39
Other operating expenses	757	777	886
	1,107	1,140	1,140
Operating Income	$ 1,231	$ 1,124	$ 1,075
Income (Loss) From Unconsolidated Businesses	$ (1)	$ 29	$ 23
Adjusted Net Income	$ 726	$ 684	$ 657

Operating Revenues

Operating revenues from our Directory segment improved by $74 million or 3.3% in 1999 and $49 million or 2.2% in 1998, principally as a result of increased pricing for certain directory services. Higher business volumes, including revenue from new Internet-based shopping directory and electronic commerce services, also contributed to revenue growth in both years, but to a lesser extent.

Operating Expenses

In 1999, total operating expenses declined $33 million or 2.9% largely due to lower work force levels. Lower spending for maintenance, repair and other costs of services also contributed to the decline in operating costs in 1999.

In 1998, total operating expenses were unchanged from 1997. The changes in the major components of operating expenses include a reclassification of certain costs from other operating expenses to employee costs, beginning in 1998. For comparability purposes, had similar costs of approximately $95 million been reclassified in 1997, employee costs would have increased by approximately $16 million or 5.2% in 1998 and other operating expenses would have declined by approximately $14 million or 1.8% in 1998. The increase in employee costs was largely due to salary and wage increases. The reduction in other operating expenses was principally due to lower general and administrative costs of service.

Income (Loss) From Unconsolidated Businesses

In 1998 and 1997, income from unconsolidated businesses included gains on the sale of portions of our ownership interests in certain global directory businesses. The loss from unconsolidated businesses in 1999 was due to lower operating results from our international directory businesses.

Other Businesses

Our Other Businesses segment includes international wireline telecommunications investments in Europe and the Pacific Rim, lease financing and all other businesses.

Highlights

Effective May 31, 1999, our representatives resigned from the Board of Directors of Telecom Corporation of New Zealand Limited (TCNZ) and we agreed to vote our shares neutrally. As a result, we no longer have significant influence over TCNZ's operating and financial policies and, therefore, have changed the accounting for our investment in TCNZ from the equity method to the cost method. The change in the method of accounting for this investment did not have a material effect on results of operations in 1999. We currently hold a 24.94% interest in TCNZ.

Coincident with our change to the cost method of accounting, our investment in TCNZ is now subject to the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Under these provisions, our TCNZ shares are classified as "available-for-sale" securities and, accordingly, our TCNZ investment has been adjusted from a carrying value of $363 million to its fair value of $2,103 million at December 31, 1999. The increased value of our investment is recorded in Investments in Unconsolidated Businesses in our consolidated balance sheet. The unrealized gain of $1,131 million (net of income taxes of $609 million) has been recognized in Accumulated Other Comprehensive Income (Loss).

In the second quarter of 1997, we transferred our interests in cable television and telecommunications operations in the United Kingdom to CWC in exchange for an 18.5% ownership interest in CWC. This transaction was accounted for as a nonmonetary exchange of similar productive assets and as a result no gain or loss was recorded. We now account for our investment in CWC under the equity method. Prior to this transfer, we included the accounts of these operations in our consolidated financial statements. You can find more information about CWC in Note 3 to the consolidated financial statements.

Years Ended December 31, Results of Operations–Adjusted Basis	1999	1998	1997
		(dollars in millions)	
Operating Revenues			
Other services revenues	$ 151	$ 124	$ 278
Operating Expenses			
Employee costs	7	14	58
Depreciation and amortization	2	3	48
Other operating expenses	97	105	210
	106	122	316
Operating Income (Loss)	$ 45	$ 2	$ (38)
Income From Unconsolidated Businesses	$ 37	$ 86	$ 78
Adjusted Net Income	$ 67	$ 135	$ 48

Operating Results

The improvement in operating income between 1999 and 1998 was largely attributable to improved operating results by our lease financing businesses.

Income from unconsolidated businesses declined in 1999 primarily as a result of higher equity losses from our investment in CWC and from our investment in BayanTel, a Philippines-based telecommunications company. BayanTel's 1999 results also included a charge for the write-down of their interest in a joint venture. These losses were partially offset by improved equity results from our investment in Fiberoptic Link Around the Globe (FLAG), which owns an undersea fiberoptic cable system, providing digital communications links between Europe and Asia. FLAG's 1999 results also reflect the effect of one-time charges recorded in 1998.

In 1998, the changes in operating revenues, operating expenses, and income from unconsolidated businesses principally reflect the effect of the change in the accounting for our CWC investment under the equity method, beginning in the second quarter of 1997.

Nonoperating Items

The following discussion of nonoperating items is based on the amounts reported in our consolidated financial statements.

Years Ended December 31, Interest Expense	1999	1998	1997
		(dollars in millions)	
Total interest expense–reported	$ 1,263	$ 1,335	$ 1,230
Special items–write-down of assets	–	(47)	–
Settlement of tax-related matters	–	(46)	–
Interest expense–excluding special items and tax settlement	1,263	1,242	1,230
Capitalized interest costs	98	90	81
Total interest cost on debt balances	$ 1,361	$ 1,332	$ 1,311
Average debt outstanding	$ 20,777	$ 19,963	$ 18,897
Effective interest rate	6.6%	6.7%	6.9%

Our interest cost on debt balances was higher in 1999 and 1998 principally due to higher average debt levels. These increases were partially offset by the effect of lower interest rates.

Years Ended December 31, Other Income and (Expense), Net	1999	1998	1997
		(dollars in millions)	
Minority interest	$ (81)	$ (75)	$ (95)
Foreign currency gains, net	15	40	28
Interest income	32	81	27
Gains on disposition of assets/businesses, net	53	44	17
Other, net	35	32	20
Total	$ 54	$ 122	$ (3)

The changes in other income and expense were due to changes in several components, as shown in the table. The change in minority interest was largely due to the recognition of minority interest expense in 1999 related to our investment in Iusacell. In 1998, we recorded minority interest income for Iusacell, principally resulting from the write-down of fixed assets as described earlier. Further contributing to the change in minority interest, in 1999, we no longer record a minority interest expense related to the outside party's share of the subsidiary's earnings in connection with the sale of our investment in Viacom Inc. (Viacom).

Foreign exchange gains were affected in 1999 as a result of the discontinuation of highly inflationary accounting for our Iusacell subsidiary, effective January 1, 1999. As a result of this change, Iusacell now uses the Mexican peso as its functional currency and we expect that our earnings will continue to be affected by any foreign currency gains or losses associated with the U.S. dollar denominated debt issued by Iusacell. Also, in 1998 we recognized higher foreign exchange gains associated with other international investments. Finally, we recorded gains on the disposition of assets in 1999, primarily related to the sale of real estate in New York and gains on the sale of land and our paging business in 1998. In 1998, we recorded additional interest income in connection with the settlement of tax-related matters.

Years Ended December 31,	1999	1998	1997
Effective Income Tax Rates	37.8%	40.2%	38.4%

The effective income tax rate is the provision for income taxes as a percentage of income before the provision for income taxes.

Our reported effective income tax rate for 1999 was lower than 1998, primarily due to the write-down of certain international investments in 1998 for which no tax benefit was provided. This factor was partially offset by lower tax credits in 1999, as well as adjustments to deferred income taxes at certain subsidiaries in 1998.

The higher reported effective income tax rate in 1998 resulted from higher state and local income taxes caused by the change in the New Jersey state tax law described earlier under "Domestic Telecom–Other Operating Expenses," and from the write-down of certain international investments for which no tax benefits were provided. These rate increases were partially offset by adjustments to deferred tax balances at certain subsidiaries and higher tax credits related to our foreign operations.

You can find a reconciliation of the statutory federal income tax rate to the effective income tax rate for each period in Note 17 to the consolidated financial statements.

Extraordinary Item

In 1998, we recorded extraordinary charges associated with the early extinguishment of debentures and refunding mortgage bonds of our operating telephone subsidiaries and debt issued by FLAG. These charges reduced net income by $26 million (net of an income tax benefit of $14 million).

Consolidated Financial Condition

(dollars in millions)

Years Ended December 31,	1999	1998	1997
Cash Flows From (Used In)			
Operating activities	$ 10,656	$ 10,071	$ 8,859
Investing activities	(9,629)	(7,685)	(7,339)
Financing activities	(167)	(2,472)	(1,447)
Increase (Decrease) in Cash and Cash Equivalents	$ 860	$ (86)	$ 73

We use the net cash generated from our operations and from external financing to fund capital expenditures for network expansion and modernization, pay dividends, and invest in new businesses. While current liabilities exceeded current assets at December 31, 1999 and 1998, our sources of funds, primarily from operations and, to the extent necessary, from readily available external financing arrangements, are sufficient to meet ongoing operating and investing requirements. We expect that presently foreseeable capital requirements will continue to be financed primarily through internally generated funds. Additional debt or equity financing may be needed to fund additional development activities or to maintain our capital structure to ensure our financial flexibility.

Cash Flows From Operating Activities

Our primary source of funds continued to be cash generated from operations. Improved cash flows from operations during 1999, 1998, and 1997 resulted from growth in operating income, partially offset by changes in certain assets and liabilities. In 1999, the change in certain assets and liabilities largely reflects growth in customer accounts receivable and a reduction in employee benefit obligations chiefly due to favorable investment returns and changes in plan provisions and actuarial assumptions.

The change in certain assets and liabilities in 1998 and 1997 reflects the effect of our retirement incentive program that increased employee benefit obligations as a result of special charges recorded through the completion of the program in 1998. An increase in accounts receivable due to subscriber growth and greater usage of our networks, as well as timing differences in the payment of accounts payable and accrued liabilities also contributed to the change in both years.

Cash Flows Used In Investing Activities

Capital expenditures continued to be our primary use of capital resources. We invested approximately $7.5 billion in 1999, $6.4 billion in 1998 and $5.5 billion in 1997 in our Domestic Telecom business to facilitate the introduction of new products and services, enhance responsiveness to competitive challenges, and increase the operating efficiency and productivity of the network. We also invested approximately $1.2 billion in 1999, $1.0 billion in 1998 and $1.1 billion in 1997 in our Wireless, Directory and Other Businesses. We expect capital expenditures in 2000 to be in the range of $8.9 billion to $9.2 billion.

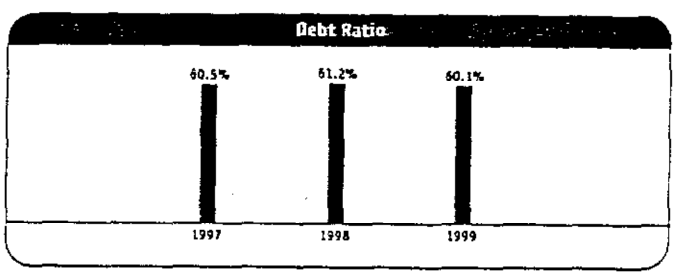
We continue to make substantial investments in our unconsolidated businesses. During 1999, we invested $901 million, which included a cash payment of approximately $630 million to increase our ownership interest in Omnitel from 19.71% to 23.14%. In 1999, we also invested $202 million in PrimeCo to fund the build-out and operations of its PCS network and $69 million principally in our lease financing businesses. In 1998, we invested $603 million, which included an additional investment of $162 million in Omnitel to increase our ownership interest from 17.45% to 19.71%, $301 million in PrimeCo, and $140 million in our lease financing businesses. In 1997, cash investing activities in unconsolidated businesses totaled $833 million and included $426 million in PrimeCo, $138 million in FLAG, and $269 million in leasing and other partnerships.

In 1999, we invested $505 million to acquire new businesses, including $374 million to fully acquire the cellular properties of Frontier Cellular and $81 million for other wireless properties. We also invested $50 million in data service businesses in 1999. We invested cash for new businesses of $62 million in each of 1998 and 1997 in connection with our domestic wireless subsidiaries.

Our short-term investments include principally cash equivalents held in trust accounts for payment of certain employee benefits. We invested $855 million in short-term investments in 1999, including $785 million to pre-fund associate health and welfare benefits. Cash payments for short-term investments totaled $1,028 million in 1998 and $844 million in 1997, principally to pre-fund vacation pay and associate health and welfare benefit trusts. Beginning in 1999, we no longer fund the vacation pay trust for all employees. Proceeds from the sales of all short-term investments were $795 million in 1999, $968 million in 1998, and $427 million in 1997.

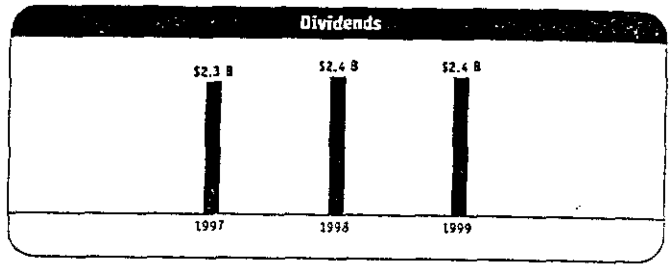
In 1999, we received cash proceeds of $612 million in connection with the disposition of our remaining investment in Viacom, representing 12 million shares of their preferred stock (with a book value of approximately $600 million). In 1998, we received cash proceeds of $637 million in connection with the disposition of investments. These proceeds included $564 million associated with Viacom's repurchase of one-half of our investment in Viacom and $73 million from the sales of our paging and other nonstrategic businesses. In 1997, we disposed of our real estate properties and our interests in Bellcore, Infostrada, SkyTV and other joint ventures and received cash proceeds totaling $547 million.

During 1997, we received cash proceeds of $153 million from the TCNZ share repurchase plan, which was completed in December 1997.



Cash Flows Used In Financing Activities

As in prior years, dividend payments were a significant use of capital resources. We determine the appropriateness of the level of our dividend payments on a periodic basis by considering such factors as long-term growth opportunities, internal cash requirements, and the expectations of our shareowners. In 1999 and 1998, we declared quarterly cash dividends of $.385 per share or $1.54 per share in each year. We declared cash dividends of $.37 per share in the first and second quarters of 1997 and $.385 per share in the second half of 1997, or $1.51 per share for the year.



We increased our total debt (including capital lease obligations) by approximately $3.3 billion from December 31, 1998, primarily to fund our investments in Omnitel, PrimeCo, and Frontier Cellular. Our debt balance at December 31, 1999 also included $664 million for the mark-to-market adjustment for the CWC exchangeable notes, $456 million of additional debt issued by Iusacell in 1999, and approximately $105 million of debt assumed from the acquisition of Frontier Cellular. These factors were partially offset by the use of cash proceeds received from the disposition of our remaining investment in Viacom. Our debt level increased by $1,026 million from 1997 to 1998, principally to fund the capital program and for continued investments in PrimeCo and Omnitel. The pre-funding of employee benefit trusts and purchases of shares to fund employee stock option exercises also contributed to the increase in debt levels in both 1999 and 1998.

In February 1998, our wholly owned subsidiary, Bell Atlantic Financial Services, Inc. (FSI), issued $2,455 million in 5.75% exchangeable notes due on April 1, 2003 that are exchangeable into ordinary shares of TCNZ stock (TCNZ exchangeable notes). In August 1998, FSI also issued $3,180 million of 4.25% senior exchangeable notes due on September 15, 2005 that are exchangeable into ordinary shares of CWC stock (CWC exchangeable notes). Proceeds of both offerings were used for the repayment of a portion of our short-term debt and other general corporate purposes.

Our operating telephone subsidiaries refinanced debentures totaling $257 million in 1999 and $790 million in 1998.

As of December 31, 1999, we had in excess of $4.0 billion of unused bank lines of credit and $143 million in bank borrowings outstanding. As of December 31, 1999, our operating telephone subsidiaries and financing subsidiaries had shelf registrations for the issuance of up to $2.9 billion of unsecured debt securities. In March 2000, FSI issued approximately $893 million of medium-term notes, the proceeds of which were used to reduce short-term debt levels and for